

CORPORATE CREDIT UNION GUIDANCE LETTER

No. 2010-02

DATE: December 13, 2010

SUBJ: Guidelines for Complying with Part 704 Rules Changes

TO: The Corporate Credit Union Addressed:

As you know, the National Credit Union Administration (“NCUA”) Board adopted a comprehensive overhaul of the corporate regulation on September 24, 2010, and the final regulation was published on October 20, 2010. The provisions of the rule become effective at different points in time, with some phased in over a number of years. Although I have already met with most of you and other key management staff of corporate credit unions (“CCU”) during the October 14, 2010, meeting hosted in Alexandria, VA, I would like to reiterate and stress a few of the discussion points, key dates, and regulatory provisions as they may impact or require actions by your credit union. Please refer to Attachment 1.

You will find as you read Attachment 1 that the due date for submission of strategic and capital compliance plans is extended from December 31, 2010 to March 31, 2011. By that same date, bridge corporates will submit a member approved plan to transition the services they currently provide members to a long term viable solution. The NCUA Board seeks to provide CCUs a reasonable amount of time to consult with members to develop plans directing a future path. The goal of the plans is to provide members with enough information so that they are able to understand the future direction of the CCU and credit unions can make critical decisions about their future service needs. OCCU’s review will focus on the reasonableness of the plans, but their ultimate success will depend upon continued member support. Although the new due date for these plans is now March 31, 2011, I encourage you to submit your plans as early as possible. Please refer to Attachment 2 for the revised CCU capital compliance timeline.

Lastly, I want to share with you your district examiner’s supervision plans for the upcoming months. Now through March 31, 2011, your district examiner will be in frequent contact with you and may even conduct more onsite supervision visits. Their primary role will be to provide guidance and answer any questions you may have regarding NCUA’s resolution and reform plan to include compliance timeframes and monitoring of key milestone dates. Examiners will also want to obtain an early understanding of your proposed strategic and capital compliance plans to help expedite the review and approval process.

The period from April 1, 2011, to September 30, 2011, will continue to be a critical period for CCUs. Expect ongoing, close supervision to continue during this timeframe as we know each CCU will be working towards successful implementation of their strategic plans (business models) and capital compliance plans, possibly to include capital subscriptions. Examiners and corporate field

supervisors will be monitoring each CCU closely to ensure financial and operational stability during the transition period as well as to ensure key milestone or benchmark dates, as indicated in the table below, are being met.

Date	Action Needed
October 20, 2010 through March 31, 2011	CCUs work with members to develop strategic and capital compliance plans, or an alternative course of action.
By January 18, 2011	If it chooses this option , CCU board must adopt a resolution that capital contributed on or after January 18, 2011, will have priority for purposes of availability to absorb losses and payout in liquidation.
By March 31, 2011	CCUs submit strategic and capital compliance plans to OCCU for review.
By April 29, 2011	OCCU finalizes review of strategic and capital compliance plans.
By May 31, 2011	Undercapitalized CCUs must provide their recapitalization and strategic plans to their members. This is the beginning of the “capital subscription” process.
By August 31, 2011	Interim benchmark for evaluating CCU progress. CCU must submit a progress report to OCCU.
By September 30, 2011	CCUs must demonstrate sufficient capital subscriptions to achieve 4 percent leverage and 2 percent NEV ratios by October 20, 2011. CCU must submit progress report to OCCU; district examiner verifies CCUs have met capital subscription and strategic plan requirements.
October 31, 2011, and quarterly thereafter.	District examiner assesses progress towards the October 2013 Tier 1 capital (retained earnings and perpetual capital only) ratio of 4 percent.

Guidance is also being provided to consumer credit unions in the form of a Fact Sheet, *Corporate Credit Unions System Transition Period Timelines*. A copy of the Fact Sheet is attached for your review.

I hope this information proves helpful in fostering compliance with Part 704 and effectively working through the transition period. I encourage you to reach out to your district examiner or corporate field supervisor if you have any questions or would like to discuss any of the issues in more detail.

Sincerely,

/s/

Scott A. Hunt
Director
Office of Corporate Credit Unions

Attachments